

Message Text

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15

ACTION ARA-10

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4530

AMEMBASSY WARSAW

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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SUBJECT: BRAZIL-POLAND SIGN US\$3.2 BILLION TRADE AGREEMENT

1. SUMMARY: BRAZIL AND POLAND HAVE SIGNED A TRADE AGREEMENT CALLING FOR US\$3.2 BILLION IN BILATERAL TRADE BETWEEN 1976-80. POLAND THUS WOULD BECOME BRAZIL'S LARGEST CONECON TRADING PARTNER. END SUMMARY.

2. AS REPORTED IN THE BRAZILIAN PRESS, A HIGH LEVEL POLISH TRADE DELEGATION HEADED BY MINISTER FOR FOREIGN TRADE JERZY OLSZEWSKI VISITED BRASILIA FEBRUARY 22-25 FOR NEGOTIATIONS WITH OFFICIALS IN THE MINISTRIES OF EXTERNAL RELATIONS, PLANNING, AND INDUSTRY AND COMMERCE ON A NEW BILATERAL TRADE AGREEMENT. THE "PROTOCOL OF COMMERCIAL EXCHANGE" SIGNED ON FEBRUARY 24 CALLS FOR EACH COUNTRY TO EXPORT US\$1.6 BILLION WORTH OF GOODS TO THE OTHER DURING THE PERIOD 1976-80. IF THE AVERAGE ANNUAL TRADE OF US\$640 MILLION CALLED FOR BY THE AGREEMENT WERE ACHIEVED, BILATERAL TRADE WOULD BE NEARLY QUADRUPLD FROM THE 1975 ESTIMATE

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OF US\$170 MILLION AND POLAND WOULD BECOME ONE OF BRAZIL'S

LARGEST TRADING PARTNERS (AND THE LARGEST WITHIN COMECON).

3. ACCORDING TO PRESS REPORTS, MIN. OLSZEWSKI CITED THREE MAIN AREAS COVERED BY THE AGREEMENT: (1) LONG TERM CONTRACTS FOR THE PROVISION OF RAW MINERAL AND AGRICULTURAL PRODUCTS: (2) INDUSTRIAL COOPERATION IN THE FORM OF IMPORTING/EXPORTING MANUFACTURED GOODS: AND (3) "INTEGRATION" IN THE FISHING AND SHIP CONSTRUCTION INDUSTRIES. OLSZEWSKI ALSO REPORTEDLY EXPRESSED "SPECIAL INTEREST" IN IMPORTING BRAZILIAN LEATHER PRODUCTS, VEGETABLE OILS, SOYBEANS, CORN, AND ELECTRICAL APPLIANCES, AND EXPORTING POLISH TRACTORS, CEMENT FACTORIES, AGRICULTURAL MACHINERY, AND FISHING VESSELS.

4. ACCORDING TO THE POLISH EMBASSY IN BRASILIA, THIS AGREEMENT INCORPORATES THE 1975 BRAZIL-POLAND ACCORD WHICH PROVIDED FOR AN EXCHANGE OF BRAZILIAN IRON ORE (11.9 MILLION TONS) FOR POLISH COAL (14.8 MILLION TONS) OVER A TEN YEAR PERIOD. ASSUMING AVERAGE ANNUAL IMPORTS OF 1.48 MILLION TONS, POLAND WOULD THUS ALSO BECOME BRAZIL'S LARGEST SUPPLIER OF COAL FOR ITS RAPIDLY EXPANDING STEEL INDUSTRY, PROVIDING 40 PERCENT OF TOTAL CURRENT ANNUAL REQUIREMENTS VERSUS 30 PERCENT SUPPLIED BY THE US.

5. SIGNING FOR THE GOB, MINISTER OF INDUSTRY AND COMMERCE SEVERO GOMES REPORTEDLY DESCRIBED THE AGREEMENT AS MORE THAN JUST AN EXPANSION OF BRAZILIAN TRADE BUT ALSO "A SIGNIFICANT STEP IN THE FIELD OF SOLIDARITY AND ECONOMIC SECURITY," AND THAT BRAZIL "MUST INCREASE ITS CONTRACTS IN ORDER TO DEFEND ITS INTERESTS".

6. COMMENT: THIS AGREEMENT REPRESENTS THE LARGEST STEP BRAZIL HAS TAKEN TO DATE TO EXPAND TRADE WITH THE COMECON COUNTRIES AS PART OF ITS DELIBERATE EFFORT TO DIVERSIFY ITS EXPORT MARKETS AND SOURCES OF CRITICAL IMPORTS. IT WILL UNDOUBTEDLY SERVE AS INCENTIVE FOR OTHER SOCIALIST COUNTRIES TO STEP UP THEIR LOBBYING IN BRASILIA FOR INCREASED AND MORE BALANCED TRADE WITH BRAZIL.
CRIMMINS

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